Mr. Speaker: Order, please. I am sure the hon. member for Moose Jaw wishes to adjourn the debate. It is moved by the hon. member for Moose Jaw, seconded by the hon. member for Yorkton-Melville, that the debate be now adjourned. Is it the pleasure of the house that the debate be now adjourned?

Some hon. Members: Agreed.

Mr. Macdonald (Rosedale): Mr. Speaker, because of the fact that we are having royal assent and then proceeding with other business of eight o'clock, I believe there is a general dispensation—disposition—in the house not to proceed with private members' hour this evening. If Your Honour finds there is general agreement, perhaps this could be done on the understanding that all motions would preserve their place on the order paper and also that this hour would be saved for the house as a further private members' hour.

Mr. Knowles (Winnipeg North Centre): Mr. Speaker, I am sure I would rather agree to a general disposition than to a general dispensation.

Mr. Speaker: Is this the desire of the house?

Some hon. Members: Agreed.

Mr. Speaker: It is so ordered.

PROCEEDINGS ON ADJOURNMENT MOTION

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

Mr. Speaker: Order, please. It is my duty, pursuant to provisional standing order 39A, to inform the house that the questions to be discussed at the time of adjournment this evening are as follows: The hon. member for Lotbinière (Mr. Fortin)—National Health and Welfare—inquiry as to possible participation of federal government in a campaign against alcoholism; the hon. member for St. John's West (Mr. Carter)—Fisheries—inquiry as to deficiency payments; the hon. member for Gander-Twillingate (Mr. Lundrigan)—Management of Canada's Fishing Resources—continental shelf.

THE ROYAL ASSENT

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Right Honourable the Deputy Governor General desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate chamber.

• (5:50 p.m.)

And being returned:

Mr. Speaker informed the house that the Deputy Governor General had been pleased to give, in Her Majesty's name, the royal assent to the following bill:

An act respecting the construction of a line of railway in the province of Alberta by Canadian National Railway Company from the vicinity of Windfall on the Windfall extension to the Sangudo subdivision of the Canadian National Railway in a westerly direction for a distance of approximately 51 miles to the Bigstone property of Pan American Petroleum Corporation and of a connecting spur extending in a northerly direction for a distance of approximately 9 miles to the South Kaybob property of Hudson's Bay Oil & Gas Company Limited and its associates.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 8 p.m.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. E. J. Benson (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, it is a great honour and a serious responsibility to present the first budget to this new twenty-eighth parliament of Canada. The government and its strong parliamentary majority have come into office with many new ideas and a desire to look at our problems with a fresh perspective. We have, however, many major commitments. These restrict our freedom of innovation and make it necessary for us to work out our new ideas over time.

I have much to report and to propose in this budget and therefore will not attempt a comprehensive review of our financial affairs and policies tonight. The budget white paper, tabled last Wednesday, provides material on our public accounts for 1967-68, and on the economic and financial conditions prevailing in Canada and elsewhere as of the time when it was prepared. I shall refer occasionally to this paper but I shall try not to weary the house with repetition of detail. In particular I do not propose to comment upon the accounts for 1967-68.

The Budget—Mr. Benson

Current Economic Setting

The current economic setting for this budget has been set forth in part I of the White Paper. The Canadian economy continues the expansion that began in 1961, that ran to excess in 1965 and 1966, that slowed down in adjusting for these excesses in 1967, and that has accelerated moderately again this year. We are in a period of widespread prosperity, but it is prosperity with problems. The increase this year in production, in national income, in exports, in housing investment, and in industrial productivity has been encouraging. On the other hand, we are troubled both by the extent of unemployment and by the rate at which prices are increasing. Our balance of trade has been better than expected, but our capital markets continue to be subject to serious strains. These are reflected not only in high interest rates but in problems for many borrowers and for those who sell securities.

In the international economic field, we have in recent years made great advances in freeing trade. We are still engaged in implementing agreements by legislative action. Tonight I shall lay before you some 200 pages of tariff items which implement our part of these international arrangements, together with a resolution asking approval for a new bill on anti-dumping duty which will follow consideration of our white paper on this subject by a committee of this house. These are important and constructive measures. Together with related action by others, they should widen the markets and improve the productivity of Canadian industry. They should also provide to Canadian consumers the benefits of increased competition in domestic markets.

In monetary matters, the period under review has been one of many difficulties but has ended upon a most constructive note. For years the Canadian government, with other western governments, has been working out a plan to supplement gold and foreign exchange balances with new forms of international liquid reserves that could be expanded in accord with the needs of world trade and other transactions. After considerable debate this has now been achieved. Parliament will be asked to approve amendments to the Bretton Woods Agreements Act to carry out our part in these new and encouraging arrangements.

• (8:10 p.m.)

Before these new arrangements could be completed several major crises occurred during the past year in the international financial markets. Sterling was devalued. There was a prolonged crisis in gold markets which was only resolved by the working out of a new two price system for gold as well as by more stringent measures by the U.S. to safeguard and improve its balance of payments position.

During this period of stress in the international financial markets last winter there was a short but very sharp run on the Canadian dollar, despite an unusually strong position in Canada's current account balance of payments at that time. We were in danger of being forced into an inappropriate devaluation of our currency, which would have brought higher prices and costs to the Canadian economy and the Canadian consumer. Our position was strengthened by monetary and fiscal measures taken at that time. We were fortunate in being able to get from international institutions and from friendly monetary authorities and governments the temporary assistance that we needed to sustain us during this crisis. We also were able to work out with the United States Treasury arrangements which enabled us to safeguard our vital unrestricted access to the U.S. capital market while not endangering or worsening the U.S. balance of payments position. Subsequently we have been able to borrow substantial sums in Italy, in Germany, and in the United States to assist us in restoring our exchange reserves.

Medium Term Outlook

In looking ahead through the prospective life of this Parliament, we can be optimistic regarding both the resources that will be available to sustain vigorous growth in the Canadian economy and the markets that will be available for what we produce. We have a labour force that is growing more rapidly than that of any other industrial country. It is also increasingly well educated and trained for work in modern jobs. Our natural resources are the envy of others and the basis of much of our industry and wealth. We have a large industrial capacity, much of it now relatively modern and little of it in serious excess. We have access to a large supply of savings within Canada, since we save a high proportion of our income by comparison with others. Fortunately we also enjoy a preferred position in securing international capital, both direct investment associated with modern management, and loan capital in large amounts. At the same time we can look forward to demands for large scale investment by business in new plant and equipment, growing needs in housing and urban development, and the continued expansion of useful social capital, including hospitals, schools and universities. There should be no dearth of demand during the next four years.

We do face serious problems, however, in organizing our economic advance and expansion, in managing it and in financing it. Both in our public and private activities these tasks are going to require the best brains and work that Canadians can devote to them. Great economic advance is open to us but only if we manage our affairs well.

Short Term Outlook

The outlook for the remainder of 1968 and for next year is discussed in general terms in the first few pages of the White Paper. Conditions in the United States have as usual had a most important influence upon our affairs. This has been true both in the financial markets, where their high interest rates and shortage of capital have affected us directly, and in their markets for our products. Our exports, assisted by the automotive agreements, increased very rapidly early this year. Now that the United States has put into effect its new fiscal policy, approved by Congress in June, we must expect a moderation in their pace of expansion and, we hope, in the rate of price increases which are associated with it.

In our internal affairs we expect to see continued strength in the sustaining forces of our economy. Business investment in Canada has begun to increase again after the pause of 1967 and I look for a significant advance next year. Expenditures on housing in Canada have risen substantially during this year and should continue to expand significantly in 1969, when demand will be strong and when we would expect more mortgage funds to be available. The market for consumption goods and services in Canada has also been strong this year. Looking ahead, we can expect to see further gains in consumer expenditure in real terms, though perhaps at a more moderate rate in money terms if we can succeed in moderating the rise in prices, costs and money incomes in accordance with our anti-inflationary policy. The generally bouyant outlook, however, is marred by regional problems, particularly those now faced by the prairie farmers and the relative lack of employment opportunities in Quebec and the Atlantic provinces.

I now expect to see a level of gross national product and gross national expenditures this calendar year of approximately $67 billion, or about 8 per cent over the $62 billion achieved in 1967. Of this increase, a larger proportion than was the case last year, say about 4½ per cent, should be in real terms, while the average increase in prices reflected in the G.N.P. may average out around 3½ per cent as compared to about 4 per cent last year. This is a modest improvement in price performance though it clearly cannot be regarded as satisfactory.

I will not endeavor to put a precise figure to my expectations for 1969 at this very early stage, but in considering the budgetary position for next year I have had to form some views. I should say that over-all we might expect a somewhat better price performance and about the same increase in volume as this year. This implies a growth in G.N.P. from 1968 to 1969 of something between 7 and 8 per cent. I think we shall continue to face a situation where both the level of unemployment in some areas and the rate of increase in prices will continue to give us concern.

Current Fiscal Position

I turn now to review our current fiscal position. The last budget was that of November 30th, 1967, in which my colleague, the present Secretary of State for External Affairs, was confronted, as I have been since, with difficult problems in the financial markets. He proposed some tax increases and stated the government's intentions to limit its expenditures this year to $10,300 million, apart from medicare, and to limit its demands on the capital market this fiscal year (apart from requirements to finance foreign exchange purchases) to less than $750 million. Those proposals would have just about balanced the budget this year. Subsequently the proposed revenue measures were not approved by Parliament and had to be changed, which has reduced our prospective revenues. While we succeeded in imposing a vigorous restraint upon those expenditure programs which are within direct control of the government, we substantially underestimated the growth in our expenditures under certain statutory obligations and particularly in several large federal-provincial programs.

• (8:20 p.m.)

After reviewing the reports from the Treasury Board that I have received and taking